

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Sheridan	County Montcalm
Fiscal Year End 3/31/07	Opinion Date May 10, 2007	Date Audit Report Submitted to State May 24, 2007	

We affirm that:

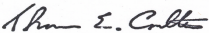
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|-------------------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo and Yeo PC, CPAs and Business Consultants		Telephone Number 989-463-6108	
Street Address 7810 North Alger Rd		City Alma	State MI
		Zip 48801	
Authorizing CPA Signature 	Printed Name Thomas E. Coulter		License Number 1612544

Village of Sheridan
Montcalm County, Michigan
Annual Financial Statements
and
Auditor s' Report
March 31, 2007

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 – 1
3 Managements' Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government -wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 7
Proprietary Funds	
Statement of Net Assets	4 – 8
Statement of Revenues, Expenses and Changes in Fund Net Assets	4 – 10
Statement of Cash Flows	4 – 11
Notes to Financial Statements	4 – 13

Section

Page

5 **Required Supplemental Information**

Budgetary Comparison Schedule

General Fund

Major Street Fund

Local Street Fund

5 – 1

5 – 4

5 – 5

Village of Sheridan
List of Elected and Appointed Officials
March 31, 2007

Village Council

Brian Russel – President

Doreen Tissue – Treasurer

Marilyn Hancock – Clerk

Daryl Bush – Council Member

Wayne Wyckoff – Council Member

Susan McFarland – Council Member

Don Nassif – Council Member

Harold Arrington – Council Member

Doug Jones – Council Member

Other Officers and Officials

Doug Lane – Village Superintendent

Ed Lingeman – Assistant Village Superintendent



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

Independent Auditor s' Report

To the Village Council
Village of Sheridan

We have audited the accompanying financial statements of the governmental activities , business-type activities , and each major fund of the Village of Sheridan as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents . These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities , and each major fund of the Village of Sheridan as of March 31, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management s' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information . However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

May 10, 2007
Alma, Michigan

**Village of Sheridan
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

Our discussion and analysis of the Village of Sheridans' financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007.

The Village of Sheridan paid MDOT for the Village's portion of milling and resurfacing work on parking bay areas located along M-66 within the corporate limits of the Village. The cost for the Village of Sheridan's portion was \$29,341.

Total net assets related to the primary government are \$2,205,179. The unrestricted portion of net assets is \$699,758 (see table of net assets on the following page).

In light of continuing State Budget Problems, and constant threat(s) to take away all revenue sharing, the Village has reacted by invoking tighter controls over all expenditures.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village of Sheridan as a whole and present a longer-term of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

**Village of Sheridan
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

The Village of Sheridan as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007 with comparative totals for March 31, 2006.

Table 1

	Governmental Activities	Business-type Activities	2007 Total	2006 Total
Current assets	\$ 524,597	\$ 313,295	\$ 837,892	\$ 837,892
Capital assets, net	<u>344,596</u>	<u>1,857,287</u>	<u>2,201,883</u>	<u>2,230,613</u>
Total assets	869,193	2,170,582	3,039,775	3,068,505
Current and long term liabilities	<u>171,862</u>	<u>662,734</u>	<u>834,596</u>	<u>834,596</u>
Total net assets	<u>\$ 697,331</u>	<u>\$ 1,507,848</u>	<u>\$ 2,205,179</u>	<u>\$ 2,233,909</u>

Village of Sheridan's net assets of governmental activities are \$697,331 and \$1,507,848 for business type activities; of these amounts \$535,381 (governmental) and \$164,377 (business-type) are unrestricted assets.

Village of Sheridan
Management's Discussion and Analysis
For the Year Ended March 31, 2007

The following table shows, in a condensed format, the revenues and expenses as of March 31, 2007 with comparative totals for March 31, 2006.

Table 2

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	2007 <u>Total</u>	2006 <u>Total</u>
Revenue				
Program revenue				
Charges for services	\$ 12,700	\$ 165,803	\$ 178,503	\$ 176,220
Capital grants and contributions	87,493	-	87,493	-
General revenue				
Property taxes	175,537	-	175,537	180,257
State shared revenue	129,231	-	129,231	127,965
Unrestricted investment earnings	11,116	21,432	32,548	19,463
Loss on sale of capital assets	-	-	-	(2,699)
Miscellaneous	37,375	19,697	57,072	63,515
Total Revenue	<u>453,452</u>	<u>206,932</u>	<u>660,384</u>	<u>564,721</u>
Program expenses				
General government	199,793	-	199,793	218,234
Public safety	53,945	-	53,945	41,236
Public works	108,786	214,628	323,414	294,898
Recreation and culture	11,718	-	11,718	12,251
Interest on long-term debt	7,079	-	7,079	6,576
Total program expenses	<u>381,321</u>	<u>214,628</u>	<u>595,949</u>	<u>573,195</u>
Change in net assets	<u>\$ 72,131</u>	<u>\$ (7,696)</u>	<u>\$ 64,435</u>	<u>\$ (8,474)</u>

**Village of Sheridan
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

Governmental Activities

The Village of Sheridan's total governmental activity revenues were \$453,452 for March 31, 2007 and \$357,069 for March 31, 2006. There was a slight increase in charges for services and the Village received grant money for the Pearl Lake project during the 2006/2007 fiscal year.

Governmental activity expenditures of \$381,321 and \$357,092 were recorded for March 31, 2007 and 2006 respectively.

Business Type Activities

The Village of Sheridan's business-type activity consists of a Water Fund and a Sewer Fund. The Village provides treated water and municipal sanitary sewer to approximately 705 Village residents.

Village of Sheridan Funds

The fund financial statements provide detailed information about the most significant funds, not the Village of Sheridan as a whole. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, Major and Local Street funds for 2007. The Village of Sheridan's governmental major funds include General Fund, and Major and Local Street Funds.

a) General Fund

Functions relating to the general governmental activities of the Village, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had a decrease in fund balance of \$8,734 from 2006.

b) Major and Local Street Funds

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the local street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component.

**Village of Sheridan
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

General Fund Budgetary Highlights

Over the course of the year, the Village Council and Village administration monitor and amend the budget to account for unanticipated events during the year.

Capital Asset and Debt Administration

At the end of 2007 the Village of Sheridan has \$4,619,685 invested in a wide range of capital assets, including land, buildings, equipment, and water and sewer lines.

Debt reported in these financial statements is related to the construction of the above-mentioned assets and buildings and is reported as a liability on the statement of net assets.

Economic Factors and Next Year's Budgets and Rates

The Village needs to continue to monitor its budget very closely. The Village needs to either increase revenue or delay expenses by adding new business, increasing the population, or receiving additional economic development grants.

The Village of Sheridan completed the DNR Recreational Grant Project in 2006. The Village of Sheridan employees along with volunteers installed the playground equipment at Pearl Lake Park on May 5 and May 6, 2006. They also purchased new picnic tables, grills, and a handicap accessible fishing dock. They built a new Pavilion near the boat landing and installed more handicap accessible parking near the pavilion and fishing dock. The Sheridan VFW donated \$3,000, the Ladies Auxiliary donated \$12,000 and the former Springfest committee donated \$2,091 for a grand total of \$17,091 to be used as matching funds for this project. The total cost of this project that the Village of Sheridan spent in 2006 was \$89,165. The DNR reimbursed the Village \$72,493, resulting in a difference of \$16,672.

Contacting the Village of Sheridan Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village of Sheridan's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Village hall.

Village of Sheridan
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 252,761	\$ 360,496	\$ 613,257
Receivables			
Customers	2,464	44,999	47,463
Accrued interest and other	480	6,413	6,893
Deferred bond issuance costs	-	1,706	1,706
Due from other units of government	24,996	-	24,996
Internal balances	242,469	(242,469)	-
Prepaid items	1,427	966	2,393
Restricted assets			
Cash and cash equivalents	-	141,184	141,184
Non-depreciable capital assets	15,900	30,835	46,735
Depreciable capital assets, net	<u>328,696</u>	<u>1,826,452</u>	<u>2,155,148</u>
 Total assets	 <u>869,193</u>	 <u>2,170,582</u>	 <u>3,039,775</u>
Liabilities			
Accrued and other liabilities	3,536	7,734	11,270
Deferred revenue	1,580	-	1,580
Noncurrent liabilities			
Due within one year	4,500	55,000	59,500
Due in more than one year	<u>162,246</u>	<u>600,000</u>	<u>762,246</u>
 Total liabilities	 <u>171,862</u>	 <u>662,734</u>	 <u>834,596</u>
Net Assets			
Invested in capital assets, net of related debt	161,950	1,202,287	1,364,237
Restricted for:			
Bond reserves	-	141,184	141,184
Unrestricted	<u>535,381</u>	<u>164,377</u>	<u>699,758</u>
 Total net assets	 <u>\$ 697,331</u>	 <u>\$ 1,507,848</u>	 <u>\$ 2,205,179</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Statement of Activities
For the Year Ended March 31, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 199,793	\$ 12,700	\$ -	\$ -	\$ (187,093)	\$ -	\$ (187,093)
Public safety	53,945	-	-	-	(53,945)	-	(53,945)
Public works	108,786	-	-	-	(108,786)	-	(108,786)
Recreation and culture	11,718	-	-	87,493	75,775	-	75,775
Interest on long-term debt	7,079	-	-	-	(7,079)	-	(7,079)
Total governmental activities	381,321	12,700	-	87,493	(281,128)	-	(281,128)
Business-type activities							
Sewer	146,184	84,901	-	-	-	(61,283)	(61,283)
Water	68,444	80,902	-	-	-	12,458	12,458
Total business-type activities	214,628	165,803	-	-	-	(48,825)	(48,825)
Total primary government	\$ 595,949	\$ 178,503	\$ -	\$ 87,493	(281,128)	(48,825)	(329,953)
General revenues							
Property taxes					175,537	-	175,537
State shared revenue					129,231	-	129,231
Unrestricted investment earnings					11,116	21,432	32,548
Miscellaneous					37,375	19,697	57,072
Total general revenues					353,259	41,129	394,388
Change in net assets					72,131	(7,696)	64,435
Net assets - beginning of year					625,200	1,515,544	2,140,744
Net assets - end of year					\$ 697,331	\$ 1,507,848	\$ 2,205,179

Village of Sheridan
Governmental Funds
Balance Sheet
March 31, 2007

		<u>Special Revenue Funds</u>		Total Governmental Funds
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
Assets				
Cash and cash equivalents	\$ 137,657	\$ 71,303	\$ 43,801	\$ 252,761
Receivables				
Customers	2,464	-	-	2,464
Accrued interest and other	480	-	-	480
Due from other units of government	14,554	6,887	3,555	24,996
Due from other funds	327,630	-	16,882	344,512
Prepaid items	<u>926</u>	<u>251</u>	<u>250</u>	<u>1,427</u>
 Total assets	 <u>\$ 483,711</u>	 <u>\$ 78,441</u>	 <u>\$ 64,488</u>	 <u>\$ 626,640</u>
Liabilities				
Accrued and other liabilities	\$ 3,536	\$ -	\$ -	\$ 3,536
Due to other funds	15,215	30,508	56,320	102,043
Deferred revenue	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>1,580</u>
 Total liabilities	 <u>20,331</u>	 <u>30,508</u>	 <u>56,320</u>	 <u>107,159</u>
Fund Balances				
Unreserved, reported in:				
General fund	463,380	-	-	463,380
Special revenue funds	<u>-</u>	<u>47,933</u>	<u>8,168</u>	<u>56,101</u>
 Total fund balances	 <u>463,380</u>	 <u>47,933</u>	 <u>8,168</u>	 <u>519,481</u>
 Total liabilities and fund balances	 <u>\$ 483,711</u>	 <u>\$ 78,441</u>	 <u>\$ 64,488</u>	 <u>\$ 626,640</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007**

Total fund balances for governmental funds	\$ 519,481
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	344,596
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds.	<u>(166,746)</u>
Net assets of governmental activities	<u><u>\$ 697,331</u></u>

Village of Sheridan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
Revenues				
Taxes	\$ 175,537	\$ -	\$ -	\$ 175,537
State revenue sharing	71,068	38,342	19,821	129,231
Other state grants	72,493	-	-	72,493
Local contributions	15,000	-	-	15,000
Charges for services	12,700	-	-	12,700
Interest income	6,080	3,643	1,393	11,116
Rental income	32,626	-	-	32,626
Other revenue	4,749	-	-	4,749
	<u>390,253</u>	<u>41,985</u>	<u>21,214</u>	<u>453,452</u>
Expenditures				
Current				
General government	155,413	-	-	155,413
Public safety	53,389	-	-	53,389
Public works	-	51,964	41,979	93,943
Recreation and culture	8,979	-	-	8,979
Other functions	34,610	-	-	34,610
Capital outlay	114,657	-	-	114,657
Debt service				
Principal retirement	5,209	-	-	5,209
Interest and fiscal charges	7,079	-	-	7,079
	<u>379,336</u>	<u>51,964</u>	<u>41,979</u>	<u>473,279</u>
Total expenditures				
	<u>379,336</u>	<u>51,964</u>	<u>41,979</u>	<u>473,279</u>
Excess (deficiency) of revenues over expenditures	<u>10,917</u>	<u>(9,979)</u>	<u>(20,765)</u>	<u>(19,827)</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>Special Revenue Funds</u>			Total Governmental Funds
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
Other financing sources (uses)				
Transfers in	-	-	29,364	29,364
Transfers out	<u>(19,651)</u>	<u>(9,713)</u>	<u>-</u>	<u>(29,364)</u>
Total other financing sources and (uses)	<u>(19,651)</u>	<u>(9,713)</u>	<u>29,364</u>	<u>-</u>
Net change in fund balance	<u>(8,734)</u>	<u>(19,692)</u>	<u>8,599</u>	<u>(19,827)</u>
Fund balance - beginning of year (deficit)	<u>472,114</u>	<u>67,625</u>	<u>(431)</u>	<u>539,308</u>
Fund balance - end of year	<u>\$ 463,380</u>	<u>\$ 47,933</u>	<u>\$ 8,168</u>	<u>\$ 519,481</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds \$ (19,827)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(33,139)
Capital outlay	119,888

Loan proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>5,209</u>
------------------------------	--------------

Change in net assets of governmental activities	\$ <u>72,131</u>
--	-------------------------

**Village of Sheridan
Proprietary Funds
Statement of Net Assets
March 31, 2007**

	Enterprise Funds		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 111,444	\$ 249,052	\$ 360,496
Receivables			
Customers	21,658	23,341	44,999
Accrued interest and other	1,876	4,537	6,413
Deferred bond issuance costs	-	1,706	1,706
Due from other funds	18,229	-	18,229
Prepaid items	612	354	966
Total current assets	153,819	278,990	432,809
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	100,915	40,269	141,184
Capital assets, net	1,312,364	544,923	1,857,287
Total noncurrent assets	1,413,279	585,192	1,998,471
Total assets	1,567,098	864,182	2,431,280
Liabilities			
Current liabilities			
Accrued and other liabilities	\$ 4,542	\$ 3,192	\$ 7,734
Due to other funds	86,324	174,374	260,698
Current portion of noncurrent liabilities	35,000	20,000	55,000
Total current liabilities	125,866	197,566	323,432

See Accompanying Notes to Financial Statements

**Village of Sheridan
Proprietary Funds
Statement of Net Assets
March 31, 2007**

	Enterprise Funds		
	Sewer	Water	Total
Noncurrent liabilities			
Long-term debt net of current portion	510,000	90,000	600,000
Total liabilities	635,866	287,566	923,432
Net Assets			
Invested in capital assets, net of related debt	767,364	434,923	1,202,287
Restricted for:			
Bond reserves	100,915	40,269	141,184
Unrestricted	62,953	101,424	164,377
Total net assets	<u>\$ 931,232</u>	<u>\$ 576,616</u>	<u>\$ 1,507,848</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2007

	Enterprise Funds		
	Sewer	Water	Total
Operating revenue			
Customer fees	\$ 84,901	\$ 80,902	\$ 165,803
Rental income	5,446	14,251	19,697
Total operating revenue	90,347	95,153	185,500
Operating expenses			
Personnel services	9,770	14,382	24,152
Supplies	3,109	924	4,033
Contractual services	960	1,710	2,670
Utilities	7,791	4,624	12,415
Repairs and maintenance	21,413	12,365	33,778
Other expenses	16,824	7,851	24,675
Depreciation	58,567	17,605	76,172
Total operating expenses	118,434	59,461	177,895
Operating income (loss)	(28,087)	35,692	7,605
Nonoperating revenue (expenses)			
Interest income	10,650	10,782	21,432
Interest expense	(27,750)	(8,983)	(36,733)
Total nonoperating revenue (expenses)	(17,100)	1,799	(15,301)
Change in net assets	(45,187)	37,491	(7,696)
Net assets - beginning of year	976,419	539,125	1,515,544
Net assets - end of year	\$ 931,232	\$ 576,616	\$ 1,507,848

See Accompanying Notes to Financial Statements

**Village of Sheridan
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 93,002	\$ 95,364	\$ 188,366
Receipts from other funds	1	-	1
Payments to other funds	802	(281)	521
Payments to suppliers	(50,326)	(28,296)	(78,622)
Payments to employees	(9,770)	(14,382)	(24,152)
	<u>33,709</u>	<u>52,405</u>	<u>86,114</u>
 Cash flows from capital and related financing activities			
Principal and interest paid on long-term debt	<u>(57,750)</u>	<u>(28,983)</u>	<u>(86,733)</u>
 Cash flows from investing activities			
Interest received	<u>10,650</u>	<u>10,782</u>	<u>21,432</u>
 Net increase (decrease) in cash and cash equivalents	(13,391)	34,204	20,813
 Cash and cash equivalents - beginning of year	<u>225,750</u>	<u>255,117</u>	<u>480,867</u>
 Cash and cash equivalents - end of year	<u>\$ 212,359</u>	<u>\$ 289,321</u>	<u>\$ 501,680</u>

See Accompanying Notes to Financial Statements

**Village of Sheridan
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (28,087)	\$ 35,692	\$ 7,605
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	58,567	17,605	76,172
Changes in assets and liabilities			
Receivables (net)	2,655	211	2,866
Due from other funds	1	-	1
Prepaid items	21	(256)	(235)
Accrued and other liabilities	(250)	(566)	(816)
Due to other funds	<u>802</u>	<u>(281)</u>	<u>521</u>
Net cash provided by operating activities	<u>\$ 33,709</u>	<u>\$ 52,405</u>	<u>\$ 86,114</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Village of Sheridan is governed by an elected seven-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Village of Sheridan
Notes to Financial Statements
March 31, 2007

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the Village. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is primarily through state shared gas and weight taxes.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer and water funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Assets, liabilities, and net assets or equity

Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding July 31st. Taxes are considered delinquent on September 15th of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$15,363,955, on which ad valorem taxes consisted of 11.2233 mills for operating purposes. This resulted in \$173,427 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to February 1, the Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to April 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Village Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Village Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 252,761	\$ -
Business-type activities	<u>360,496</u>	<u>141,184</u>
Total primary government	<u>\$ 613,257</u>	<u>\$ 141,184</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 649,936 was exposed to custodial credit risk because it was uninsured and uncollateralized .

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Primary government	
Other revenue	<u>\$ 1,580</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2007

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 13,500	\$ 2,400	\$ -	\$ 15,900
Capital assets being depreciated				
Buildings, additions and improvements	730,450	114,612	-	845,062
Machinery and equipment	<u>264,515</u>	<u>2,876</u>	<u>-</u>	<u>267,391</u>
Total capital assets being depreciated	<u>994,965</u>	<u>117,488</u>	<u>-</u>	<u>1,112,453</u>
Less accumulated depreciation for				
Buildings, additions and improvements	543,332	10,344	-	553,676
Machinery and equipment	<u>207,286</u>	<u>22,795</u>	<u>-</u>	<u>230,081</u>
Total accumulated depreciation	<u>750,618</u>	<u>33,139</u>	<u>-</u>	<u>783,757</u>
Net capital assets being depreciated	<u>244,347</u>	<u>84,349</u>	<u>-</u>	<u>328,696</u>
Governmental activities capital assets, net	<u>\$ 257,847</u>	<u>\$ 86,749</u>	<u>\$ -</u>	<u>\$ 344,596</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 30,835	\$ -	\$ -	\$ 30,835
Capital assets being depreciated				
Buildings, additions and improvements	171,248	-	-	171,248
Machinery and equipment	122,714	-	-	122,714
Water system	795,501	-	-	795,501
Sewer system	<u>2,371,034</u>	<u>-</u>	<u>-</u>	<u>2,371,034</u>
Total capital assets being depreciated	<u>3,460,497</u>	<u>-</u>	<u>-</u>	<u>3,460,497</u>
Less accumulated depreciation for				
Buildings, additions and improvements	114,131	6,297	-	120,428
Machinery and equipment	109,488	5,160	-	114,648
Water system	244,474	17,271	-	261,745
Sewer system	<u>1,089,780</u>	<u>47,444</u>	<u>-</u>	<u>1,137,224</u>
Total accumulated depreciation	<u>1,557,873</u>	<u>76,172</u>	<u>-</u>	<u>1,634,045</u>
Net capital assets being depreciated	<u>1,902,624</u>	<u>(76,172)</u>	<u>-</u>	<u>1,826,452</u>
Business-type capital assets, net	<u>\$ 1,933,459</u>	<u>\$ (76,172)</u>	<u>\$ -</u>	<u>\$ 1,857,287</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 13,001
Public safety	556
Public works	16,843
Recreation and culture	<u>2,739</u>
Total governmental activities	<u>33,139</u>
Business-type activities	
Sewer	58,567
Water	<u>17,605</u>
Total business-type activities	<u>76,172</u>
Total primary government	<u>\$ 109,311</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund		
	Major Street	\$ 24,248
	Local Street	45,676
	Sewer Fund	86,324
	Water Fund	171,382
Local Street Fund		
	Major Street	1,667
	General Fund	15,215
Sewer Fund		
	Major Street	4,593
	Local Street	10,644
	Water Fund	<u>2,992</u>
		<u>\$ 362,741</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Major Street	Local Street	\$ 9,713
General Fund	Local Street	<u>19,651</u>
		<u>\$ 29,364</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Village of Sheridan
Notes to Financial Statements
March 31, 2007

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Notes payable									
Construction loan	\$ 176,550	2010	4.50%	\$471 - \$563	<u>\$ 171,955</u>	<u>\$ -</u>	<u>\$ 5,209</u>	<u>\$ 166,746</u>	<u>\$ 4,500</u>
Business-type activities									
Bonds and notes payable									
General obligation bonds									
Sewer revenue bonds	\$ 875,000	2019	5%	\$35,000 - \$60,000	\$ 575,000	\$ -	\$ 30,000	\$ 545,000	\$ 35,000
Water revenue bonds	300,000	2011	7%	\$20,000 - \$25,000	<u>130,000</u>	<u>-</u>	<u>20,000</u>	<u>110,000</u>	<u>20,000</u>
Total bonds payable					<u>\$ 705,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 655,000</u>	<u>\$ 55,000</u>

Village of Sheridan
Notes to Financial Statements
March 31, 2007

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 5,899	\$ 7,507	\$ 55,000	\$ 33,345
2009	6,195	7,201	55,000	30,215
2010	6,480	6,923	55,000	27,075
2011	148,172	1,698	65,000	23,625
2012	-	-	65,000	19,875
2013-2017	-	-	245,000	60,625
2018-2019	-	-	115,000	5,875
	<u>\$ 166,746</u>	<u>\$ 23,329</u>	<u>\$ 655,000</u>	<u>\$ 200,635</u>

NOTE 9 - RESTRICTED ASSETS

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

Cash and cash equivalents \$141,184

NOTE 10 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The pension plan of the Village is a defined contribution plan administered by National Financial Services, LLC, which provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participant's account are to be determined rather than specifying the amount of benefits the participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. Contributions made by the Village vest immediately. The Village's required and actual contribution for the year ended March 31, 2007, was \$ 9,888.

NOTE 12 - RELATED PARTY TRANSACTIONS

For the year ended March 31, 2007, the Village engaged in business transactions with several Board members for the purchase of goods and services in the amount of \$11,017.

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 162,567	\$ 162,567	\$ 175,537	\$ 12,970
State revenue sharing	65,000	65,000	71,068	6,068
State grants	85,000	85,000	72,493	(12,507)
Local contributions	13,000	13,000	15,000	2,000
Charges for services	9,720	9,720	12,700	2,980
Interest income	2,700	2,700	6,080	3,380
Rental income	29,400	29,400	32,626	3,226
Other revenue	6,855	6,855	4,749	(2,106)
Total revenues	<u>374,242</u>	<u>374,242</u>	<u>390,253</u>	<u>16,011</u>
Expenditures				
General government				
Township board	126,650	138,125	115,766	(22,359)
Supervisor	1,500	1,500	1,500	-
Clerk	11,455	11,455	8,520	(2,935)
Treasurer	28,858	28,858	28,857	(1)
Elections	400	400	166	(234)
Attorney	2,000	2,000	350	(1,650)
Cemetery	6,280	6,280	254	(6,026)
Total general government	<u>177,143</u>	<u>188,618</u>	<u>155,413</u>	<u>(33,205)</u>
Public safety				
Police	32,900	32,900	31,889	(1,011)
Fire department	23,350	23,500	21,500	(2,000)
Total public safety	<u>56,250</u>	<u>56,400</u>	<u>53,389</u>	<u>(3,011)</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Recreation and culture				
Parks and recreation	16,420	60,857	676	(60,181)
Community Center	<u>24,285</u>	<u>24,385</u>	<u>8,303</u>	<u>(16,082)</u>
Total recreation and culture	<u>40,705</u>	<u>85,242</u>	<u>8,979</u>	<u>(76,263)</u>
Other functions				
Insurance and bonds	17,625	21,550	22,274	724
Unallocated employee fringe benefits	<u>32,441</u>	<u>32,441</u>	<u>12,336</u>	<u>(20,105)</u>
Total other functions	<u>50,066</u>	<u>53,991</u>	<u>34,610</u>	<u>(19,381)</u>
Capital outlay	<u>87,090</u>	<u>120,687</u>	<u>114,657</u>	<u>(6,030)</u>
Debt service				
Principal retirement	5,209	5,209	5,209	-
Interest and fiscal charges	<u>5,966</u>	<u>7,086</u>	<u>7,079</u>	<u>(7)</u>
Total debt service	<u>11,175</u>	<u>12,295</u>	<u>12,288</u>	<u>(7)</u>
Transfers out	<u>19,651</u>	<u>19,651</u>	<u>19,651</u>	<u>-</u>
Total expenditures and transfers out	<u>442,080</u>	<u>536,884</u>	<u>398,987</u>	<u>(137,897)</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Excess (deficiency) of revenues over expenditures	<u>(67,838)</u>	<u>(162,642)</u>	<u>(8,734)</u>	<u>153,908</u>
Fund balance - beginning of year	<u>472,114</u>	<u>472,114</u>	<u>472,114</u>	<u>-</u>
Fund balance - end of year	<u>\$ 404,276</u>	<u>\$ 309,472</u>	<u>\$ 463,380</u>	<u>\$ 153,908</u>

See Accompanying Notes to Financial Statements

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
Major Street
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 37,000	\$ 37,000	\$ 38,342	\$ 1,342
Interest income	1,200	1,200	3,643	2,443
Total revenues	38,200	38,200	41,985	3,785
Expenditures				
Current				
Public works	53,966	61,066	51,964	(9,102)
Transfers out	8,606	8,606	9,713	1,107
Total expenditures	62,572	69,672	61,677	(7,995)
Excess of revenues (deficiency) over expenditures	(24,372)	(31,472)	(19,692)	11,780
Fund balance - beginning of year	67,625	67,625	67,625	-
Fund balance - end of year	\$ 43,253	\$ 36,153	\$ 47,933	\$ 11,780

See Accompanying Notes to Financial Statements

Village of Sheridan
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended March 31, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
State revenue sharing	\$ 18,431	\$ 21,131	\$ 19,821	\$ (1,310)
Interest income	1,033	1,033	1,393	360
Transfers in	<u>28,257</u>	<u>28,257</u>	<u>29,364</u>	<u>1,107</u>
Total revenues	47,721	50,421	50,578	157
Expenditures				
Current				
Public works	<u>47,721</u>	<u>49,368</u>	<u>41,979</u>	<u>(7,389)</u>
Excess of revenues over expenditures	<u>-</u>	<u>1,053</u>	<u>8,599</u>	<u>7,546</u>
Fund balance - beginning of year (deficit)	<u>(431)</u>	<u>(431)</u>	<u>(431)</u>	<u>-</u>
Fund balance - end of year (deficit)	<u>\$ (431)</u>	<u>\$ 622</u>	<u>\$ 8,168</u>	<u>\$ 7,546</u>

See Accompanying Notes to Financial Statements



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

May 10, 2007

To the Village Council
Village of Sheridan

In planning and performing our audit of the financial statements of the Village of Sheridan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Sheridan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

During the audit, we inquired about the policies and procedures regarding segregation of duties. We noted that the treasurer receives and opens the bank statements and she also prepares the bank reconciliations. We recommend that the Village Superintendent or a Council Member receive and open the bank statements every month to review the cleared check images and any transfers before the treasurer prepares the monthly bank reconciliations.

It was also noted that the treasurer prepares the list of items to be paid each month for the Council to review. The treasurer is also the one who prepares the checks and is an authorized check signer. To segregate these duties, we recommend that someone other than the treasurer prepare the list of item to be paid for the Council to review and compare this list to the actual checks that the treasurer prepares.

Do to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112, is effective for audits of financial statements for period ending on or after December 15, 2006. We proposed fifteen adjusting journal entries that you approved and posted to your general ledger. The effect of such entries was to decrease net income by \$28,419. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe

that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

This communication is intended solely for the information and use of the Village Council and is not intended to be and should not be used by anyone other than this specified party.

Yeo & Yeo, P.C.

Yeo & Yeo
Alma, Michigan
May 10, 2007